

MEMORANDUM FOR: CRS/ADD Release

SUBJECT: Release of ER RP 75-28, Sri Lanka:
Unaffordable Socialism, September
1975, Confidential, to Foreign
Governments

1. It is requested that the attached copy of subject report be forwarded as follows:

25X1C

#93

Washington, D. C.

2. All OER responsibilities as defined in the DDI memorandum of 13 August 1952, "Procedures for Dissemination of Finished Intelligence to Foreign Governments," as applicable to this report have been fulfilled.

25X1A

Chief, St/P/C/ER

1 Attachment

SRI LANKA: UNAFFORDABLE SOCIALISM

SUMMARY AND CONCLUSIONS

1. Sri Lanka is a no-growth welfare state, which until recently could get by with minimal foreign assistance. This situation is changing, in part because of Colombo's chronic neglect of its key agricultural sector, in part because of the higher costs of imported oil and grain.

2. Output from tree crops -- tea, rubber, and coconuts -- which provide 75% of export earnings, is declining under the pressure of government takeovers, a discriminatory exchange rate system, and heavy taxation. Rice production, which increased steadily during 1965-70, has failed to increase further since 1970. The country's heavy dependence on imported grain and petroleum and its inability to expand exports have forced stringent controls on nonfood imports and an increased reliance on short-term foreign loans.

3. Prospects for sustained economic growth are poor. Foreign investors are effectively locked out by government policy, and domestic investors are discouraged by constraints on private economic activity. The government shows no signs of shifting toward growth-oriented policies. Failure to generate growth has worsened widespread unemployment and has eroded welfare programs. The attention of the Sri Lankan government remains focused on its hosting of the 1976 nonaligned countries conference and on the national elections slated to be held before mid-1977. Because of these factors, Colombo is likely to depend upon increasing amounts of foreign assistance simply to maintain welfare programs. Failure to maintain these programs will increase the likelihood of political instability.

Confidential

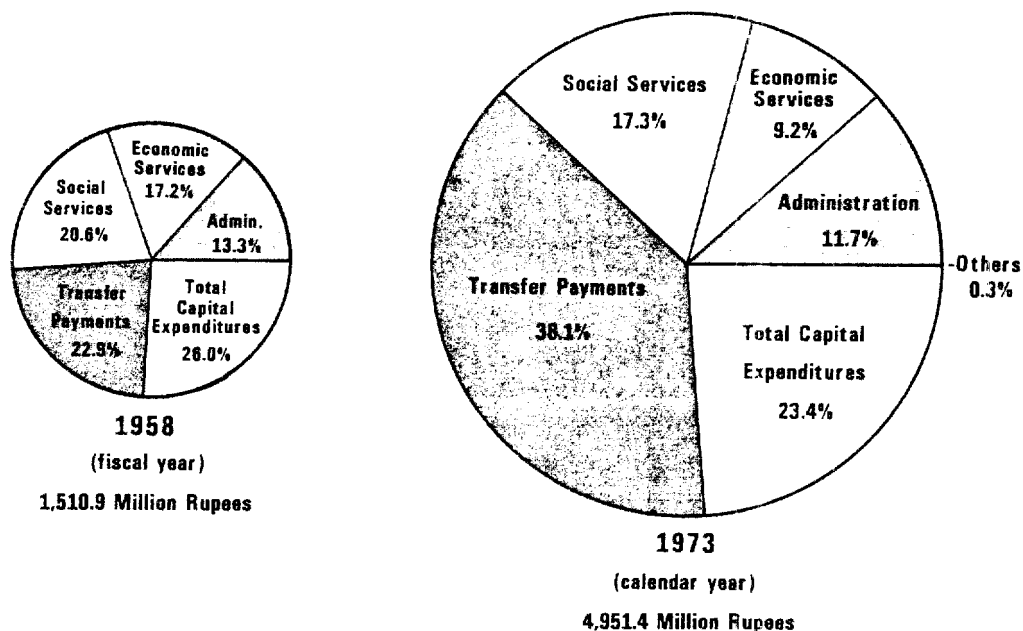
September 1975

DISCUSSIONPolicy Orientation

4. Sri Lanka has maintained a strong policy orientation toward development of a socialist-welfare state inherited from the British. All major political parties share this basic orientation, and debate centers on how fast and how far change should go. Twenty-five years of welfare policies have increased the transfer payments share in the government budget. For example, they grew from 23% to 38% of total government spending between 1958 and 1973 (see Figure 1). These transfers include

**SRI LANKA: Distribution of Government Spending,
1958 and 1973 (In percent)**

Figure 1



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financing free rice, other consumer subsidies, and government pensions. Although domestically obtained revenues financed 70% to 80% of the welfare-style budget in recent years, foreign aid is now increasing sharply. It is projected to meet half of Sri Lanka's 1975 budget deficit of \$200 million.

PUBLICATIONS SOURCE SURVEY

GENERAL INSTRUCTIONS

SECTION I - PUBLICATION TITLE AND CONTENT

72.4

25X1A

CARD | XXXXXXXXXX

SURVEY NO. (1-6)				RECORD TYPE (7-8)		DATE PUBLISHED (9-12)		PUBLICATION NUMBER (13-23)				FOR OCI ONLY CIB PUBLICATION DATE (13-18)				
						MO	YR							MO	DAY	YR
				0	1	9	75	PP	28	-	7	5				

(24-80)

24	SRI LANKA: UNAFFORDABLE	52
53	SOCIALISM	80

CARD 2 XXX

SURVEY NO.		RECORD TYPE		OFFICE (9-10)							
(1-6)		(7-8)		01 OCI		03 OSR		06 CRS		08 OWI	
				02 OER		04 OGCR		07 OSI		09 OPR	
		0 2		40 DIA		60 State		59 NSA			
				JOINT OFFICE (specify):							
				(- -)							

GEOGRAPHIC AREA CATEGORY

	Domestic Politics
	International Relations
X	Economics
	Military
	Science & Technology
	Geography
	Biography

	USSR
	Eastern Europe
	China
	Other Far East
	Near East/N. Africa
X	South Asia
	Africa
	Latin America
	Western Europe

LIST SPECIFIC COUNTRIES:

Sri Lanka

TO BE COMPLETED BY CGAS

[illegible]

Approved For Release 2000/05/15 : CIA-RDP79T01098A000600070003-1

SECRET

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For each collection program contributing information to the publication, check only the highest rating that is applicable. More than one collection program may be rated as Key, Supplemental, or Incidental for each publication. If the source did not provide any reporting useful in the publication, check the box labeled Not Applicable.

If a single publication treats more than one geographic area and/or topical category and the source mix for each varied then additional forms must be completed; e.g. India—economics—State and Japan—economics—FIR's.

Rating categories are defined as follows:

Key—Information from a particular collection program was of such importance that basic conclusions of the finished intelligence item could not have been reached without it.

Supplemental—Information from a particular collection program was important but not essential to basic conclusions of the finished intelligence item.

Incidental—Information from a particular collection program was useful or interesting primarily as background but was used only incidentally in the finished intelligence item.

CARD COL	COLLECTION PROGRAMS	(1) KEY SOURCE(S)	(2) SUPPLEMENTAL SOURCE(S)	(3) INCIDENTAL SOURCE(S)	(4) NOT APPLICABLE
(17)	1. OVERHEAD IMAGERY				
(19)	2. COMINT				
(21)	3. ELINT				
(23)	4. TELEMETRY				
(25)	5. RADINT				
(27)	6. DEFECTOR RPTS (e.g., FIRK's)				
(29)	7. DDO Rpts (FIR'S)				
(31)	8. STATE (FSO) REPORTS	X			
	9. DOD Human Source Reporting :	XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX			
(32)	(a) Defense Attache				
(33)					X
(34)	(b) Other				
(35)	10. DDO/DCD Rpts (OO's)				
(37)	11. FBIS PRESS, RADIO & TV REPORTS				
(39)	*12. Translation of Foreign Lang. documents by FBIS/IPRS, etc.				
(40)					
(41)	Non-USIB Agency Rpts. (USIA, AID, other such reports)				
(43)	Open Literature (professional journals, US wire ser., items, etc.)	X			
(45)	*15. OTHER (IMF, OECD, foreign government reports, etc.)		X		

KIQ Related Publication: Yes ☒ No ☐

*for Items No. 12, 13, 14, and 15 specify source of reporting used.

KEY INTELLIGENCE QUESTION(S)-KIQ						TRANSLATIONS:	
50	51	52	53	54	55		
	61					NON-USIB AGENCY(S):	
1st KIQ #		2nd KIQ #				OPEN LITERATURE:	
		{56-60}				Sri Lanka official publications	
						OTHER:	
						IMF, DDO	
DOCUMENT TYPE (61-62)							
02 GH		06 GR		10 WR/SR		14 BR	
03 GM		07 IR		11 IH		15 TM	
04 IM		08 R		12 IB		16 RS	
05 M		09 RA		13 RP		32 NIB	
63 64		{65-69}		{70-71}		51 IODW	
						53 EIW	
CLASSIFICATION: CONFIDENTIAL							
CLASSIFICATION CONTROLS:							

List DDO FIR's and Defector reports that were key or supplemental information sources:

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